

Message Text

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PAGE 01 PARIS 29556 061859Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-12 FRB-01 INR-10 IO-14 NEA-10 NSAE-00 ICA-20
OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
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FM AMEMBASSY PARIS
TO SECSTATE WASHDC 6994

UNCLAS PARIS 29556

USOECD

PASS COMMERCE

E.O. 11652: N/A
TAGS: EIND, EINV, OECD
SUBJECT: DRAFT REPORT ON "PENETRATION OF MULTINATIONAL
ENTERPRISES AND INDUSTRIAL CONCENTRATION"
OF WORKING PARTY 1 OF INDUSTRY COMMITTEE

REF: (A) PARIS 7964, (B) PARIS 10131, (C) DSTI/IND1/
78.1 (1ST REVISION)

1. REVISED VERSION OF SUBJECT REPORT (REF C) RECENTLY
SUBMITTED TO MEMBERS OF WORKING PARTY 1 FOR WRITTEN
APPROVAL WITH VIEW TO ITS TRANSMISSION TO FULL INDUSTRY
COMMITTEE. (COPY BEING AIRMAILED COMMERCE FOR ARRILL).
SECRETARIAT NOTE ACCOMPANYING REPORT REQUESTS MEMBERS
OF WORKING PARTY TO ALSO MAKE KNOWN THEIR POSITIONS
WITH REGARD TO DESIRABILITY OF DERESTRICTING REPORT.
NOTE CONCLUDES THAT "IF NO COMMENTS ARE RECEIVED BY
30TH SEPTEMBER, DELEGATIONS WILL BE CONSIDERED TO HAVE
APPROVED REPORT AS WELL AS PROPOSAL FOR DERESTRICTION."

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2. AT FEBRUARY MEETING OF WORKING PARTY 1, US DEL
CRITICIZED REPORT AS FAULTY AND MISLEADING AND STRONGLY
OPPOSED DERESTRICTION (REF A). DERESTRICTION OF REPORT
WAS ALSO OPPOSED BY US DEL AT JULY MEETING OF INDUSTRY
COMMITTEE (REF B). IN MISSION VIEW, REVISED VERSION IS
SOMEWHAT IMPROVED OVER ORIGINAL. IT TAKES ACCOUNT OF
SOME OF CRITICAL OBSERVATIONS MADE AT FEBRUARY MEETING

AND IS MORE CAUTIOUS IN TONE. HOWEVER, REPORT STILL MAKES FUNDAMENTAL ERROR OF TRYING TO ESTABLISH CAUSAL RELATIONSHIP BETWEEN PENETRATION BY FOREIGN MNEs IN AN INDUSTRIAL SECTOR WITH HIGH DEGREE OF CONCENTRATION IN THAT SECTOR. THIS LEADS TO DUBIOUS CONCLUSIONS WITH POTENTIALLY HARMFUL POLITICAL OVERTONES SUCH AS "THE NET EFFECT OF FOREIGN PENETRATION IS OFTEN TO INCREASE THE POSITION OCCUPIED IN A GIVEN SECTOR BY THE BIGGEST ENTERPRISES" AND "DOES FOREIGN PENETRATION NOT HAVE THE EFFECT OF INCREASING CONCENTRATION".

3. ACTION REQUESTED: WASHINGTON COMMENTS ON REPORT AND ESPECIALLY ON DESIRABILITY OF ITS DERESTRICTION FOR SUBMISSION TO SECRETARIAT BY SEPTEMBER 30 DEADLINE. SALZMAN

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Message Attributes

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